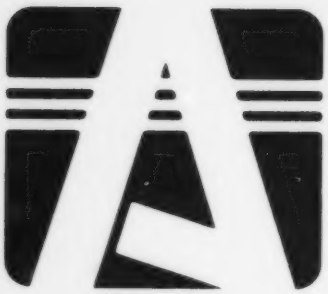
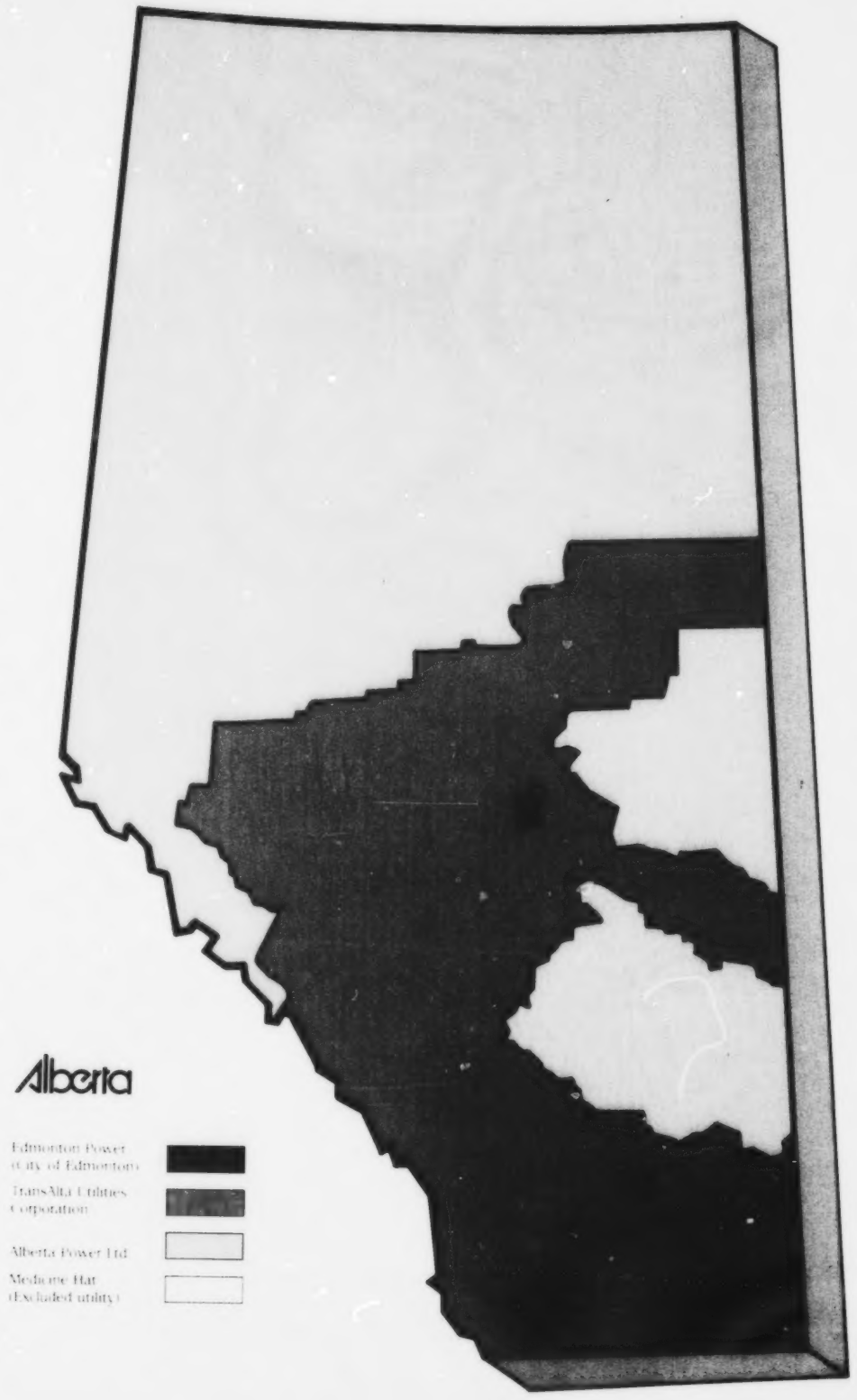


ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

ANNUAL REPORT

1988-89

Electric Utility Franchise Areas



ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY*

*Operated under the jurisdiction of the Department of Transportation and Utilities.

Honourable Al "Boomer" Adair
Minister

Fred J. Dumont, O.C.
Chairman

ANNUAL REPORT

1988-89

Alberta
TRANSPORTATION AND UTILITIES

Office of the Minister

208 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2080

Honourable Dr. David J. Carter
Legislative Assembly of Alberta
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

It is my pleasure to submit the Annual Report of the Alberta Electric Energy Marketing Agency for the year ended March 31, 1989.

Respectfully submitted,

Al "Boomer" Adair, Minister
Transportation and Utilities

ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

OFFICES OF THE CHAIRMAN

Suite 700, Princeton Place 403/422-1722
10339 - 124 Street, Edmonton, Alberta T5N 3W1

Woodward Tower 403/381-5384
400 - 4th Avenue, Lethbridge, Alberta T1J 4E1

The Honourable Al "Boomer" Adair
Minister of Transportation and Utilities

Sir:

It is with pleasure that I submit a report covering the operations of the Alberta Electric Energy Marketing Agency for the fiscal year ended March 31, 1989.

Yours respectfully,

Fred J. Dumont, O.C.
Chairman

AN AGENCY OF THE GOVERNMENT OF ALBERTA

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Preface

The Alberta Electric Energy Marketing Agency (AEEMA) is an administrative body, established in 1982 under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta, 1981. The Agency manages the purchasing and selling of the electricity produced by the province's three large franchised generators of electricity namely; Alberta Power Ltd., the City of Edmonton (Edmonton Power), and TransAlta Utilities Corporation herein referred to as "the utilities". **The price is set by the Public Utilities Board based on the costs of generation and transmission only.** The Agency pools these costs and resells the electricity to these same utilities at a levelized price.

The Agency also administers a price shielding program which is now scheduled to run to December 31, 1990. Originally to expire at the end of August 1988, the shielding program was extended by government to continue a cushion during a period when new plants were to begin production. However, the Agency is not involved in setting final rates to consumers. Consumer rates are set by those Municipal Governments which operate their own distribution systems. The investor-owned franchised utilities who retail electricity to their direct customers apply the rates set by the Public Utilities Board (PUB).

For purposes of the Utility Companies Income Tax Rebates Act only, the Agency has been designated as a customer of the three generating utilities. Under the Utility Companies Income Tax Rebates Regulation, the provincial rebate for the Agency is the total of the provincial payment passed on by the utility companies to the Agency. Therefore, in Alberta, 95 percent of the federal income tax paid by the utility companies and 100 percent of the provincial income tax is flowed back to the utilities for the benefit of their customers. This rebate is administered by the Provincial Treasurer.

The purpose of this report is to inform the general public of the transactions that have taken place during the fiscal year starting April 1, 1988 and ending March 31, 1989, as well as to satisfy the requirements of the Electric Energy Marketing Act, Chapter E-4.1, Part I, Section 8. The report includes AEEMA's audited financial statements called for under Section 77 of the Financial Administration Act, and other information required by the Lieutenant Governor in Council.

Worthy of note is the fact that the Agency's total cost of purchasing slightly more than 32 billion kWh of electric power from the utilities was just under one billion dollars. The costs and amounts of purchases from each utility are shown in Tables 1 and 2 and Figures 1 and 2.

TABLE 1

Alberta Electric Energy Marketing Agency Purchase of Electric Energy from Utilities
For the Year Ended March 31, 1989 (After Income Tax Rebate)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities[1]	Total
April 1988	$ 21 916 083	$ 10 762 516	$ 45 534 333	$ 2 601 942	$ 80 814 874
May 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
June 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
July 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
August 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
September 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
October 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
November 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
December 1988	21 916 087	10 762 520	45 534 337	2 601 942	80 814 886
January 1989	24 152 667	11 203 369	44 927 250	2 546 358	82 829 644
February 1989	24 152 667	11 203 369	44 927 250	2 546 358	82 829 644
March 1989	24 152 667	11 203 369	44 927 250	2 546 358	82 829 644
TOTAL	$ 269 702 752	$ 130 472 755	$ 544 590 751	$ 31 056 552	$ 975 822 810[2]

[1] *These figures represent the value of cities compensation in the transfer pool as addressed in the General Regulation Section 15.*

[2] *This total is a gross total and includes 1989 figures further to PUB Orders E89007, E89008, and E89009 dated February 24, 1989. The net total is $875 781 143 which includes adjustments made for April to December 1986 further to PUB Order E87100 dated December 18, 1987, variances made for April to December 1985 further to PUB Decision E87048 dated June 16, 1987, and adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

FIGURE 1
Purchase of Electric Energy
By EEMA From Utilities by Month

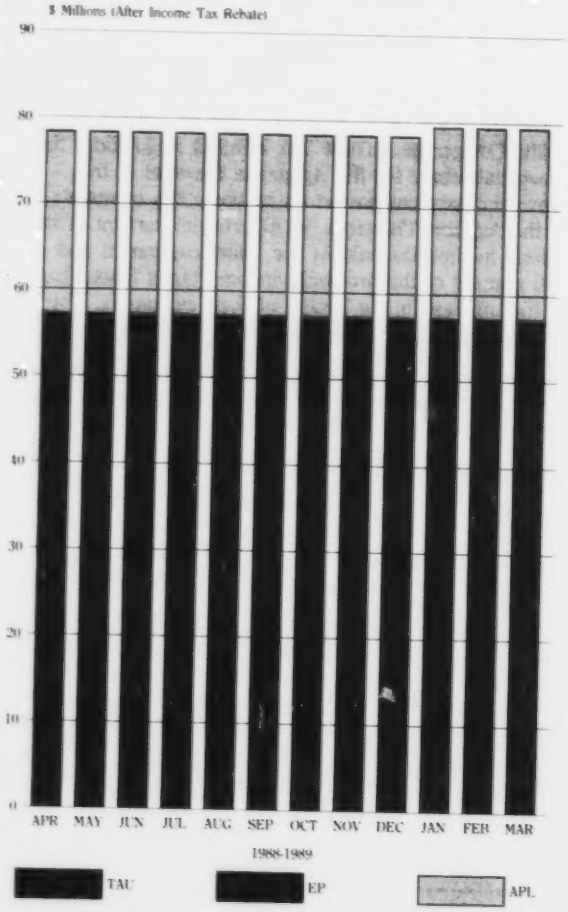


FIGURE 2
Purchase of Electric Energy
By EEMA From Utilities by Month

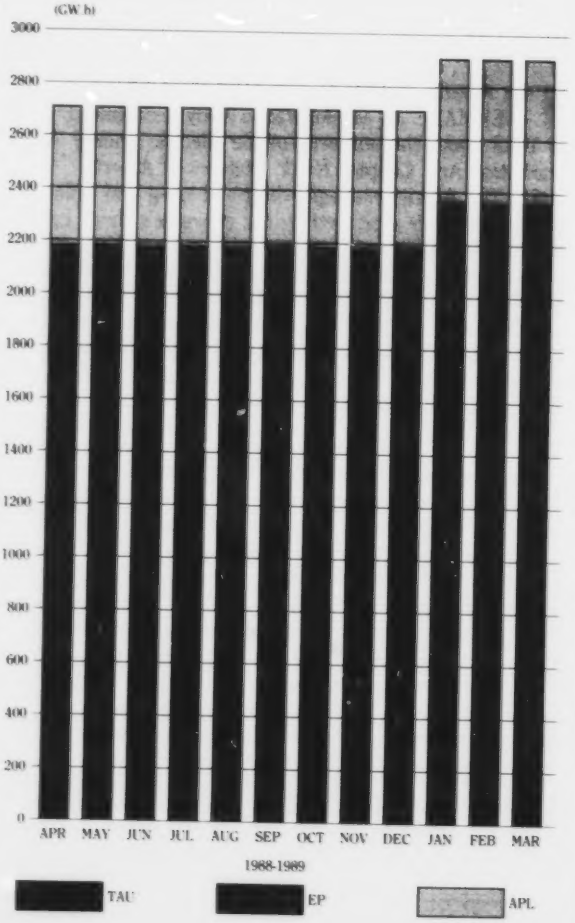


TABLE 2

Alberta Electric Energy Marketing Agency Energy Purchased from Utilities
For the Year Ended March 31, 1989 (in GW.h)[1]

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April 1988	474.0992	477.0176	1 703.0753	2 654.1921
May 1988	474.0992	477.0176	1 703.0753	2 654.1921
June 1988	474.0992	477.0176	1 703.0753	2 654.1921
July 1988	474.0992	477.0176	1 703.0753	2 654.1921
August 1988	474.0992	477.0176	1 703.0753	2 654.1921
September 1988	474.0992	477.0176	1 703.0753	2 654.1921
October 1988	474.0992	477.0176	1 703.0753	2 654.1921
November 1988	474.0992	477.0176	1 703.0753	2 654.1921
December 1988	474.0992	477.0176	1 703.0753	2 654.1921
January 1989	542.2433	490.4598	1 856.1667	2 888.8698
February 1989	542.2433	490.4598	1 856.1667	2 888.8698
March 1989	542.2433	490.4598	1 856.1667	2 888.8698
TOTAL	5 893.6227	5 764.5378	20 896.1778	32 554.3383

[1] *GW.h (gigawatt hour) - a unit of measurement of electricity equivalent to 1 million kilowatt hours.*

NOTE: This table reflects numbers from PUB Orders for the years 1988 and 1989.

The costs to the utilities of generating and transmitting the electricity were then blended (pooled) by the Agency and the electric power was sold to the utilities at a levelized price for each consumer group. This cost averaging procedure is discussed in greater detail in the section on pooling in this report. In addition, the cities of Calgary, Lethbridge and Red Deer were reimbursed as part of the same process for transmission line costs which the cities own, and compensated for energy and demand charge losses. Table 1 shows that the three cities received a combined total rounded amount of 31 million dollars. Because the City of Medicine Hat owns and operates its natural gas and electric power system, it has been an excluded franchised utility since the establishment of AEEMA.

The Agency's offices are located in Edmonton and Lethbridge. Both perform administrative and reception functions, as well as serving as offices of the Chairman.

Costs incurred in the administration of the Agency are borne by the General Revenue fund. The total yearly operating expenses are shown in Table 3. While the recorded yearly expenses have increased slightly, in fact the increase largely results from manpower costs including retroactive salary settlements that went back beyond the current fiscal year but which were paid from the 1988-89 budget.

Fred J. Dumont has been the Chairman since July 2, 1987.

TABLE 3

Costs of Administration of Agency
To March 31 of each year

1983	1984	1985	1986	1987	1988	1989
$ 309 097	$ 466 384	$ 412 584	$ 355 506	$ 322 952	$ 305 590	$ 320 343*

Refer to Schedule 1 in the FINANCIAL STATEMENTS

Mandate

The Agency has as its sole objective, since its establishment in 1982, to reduce regional electrical rate disparities by equalizing generation and transmission (upstream) costs province-wide. The mechanism used to effect this reduction in rate differences across the Province is structured in such a way so as to take advantage of the economies of scale which would result from having a single generation and transmission system for the Province. This is accomplished by averaging the upstream costs of all franchised generating and transmission systems, except the one owned by the City of Medicine Hat. At the same time, this mechanism allows for competition among the utilities which results in higher efficiency, while maintaining the independence and integrity of the Province's system of investor and municipal government-owned generating utilities. The mechanism also calls for a process of rate-setting by the Public Utilities Board and Municipal Councils both of which provide for public input and local autonomy.

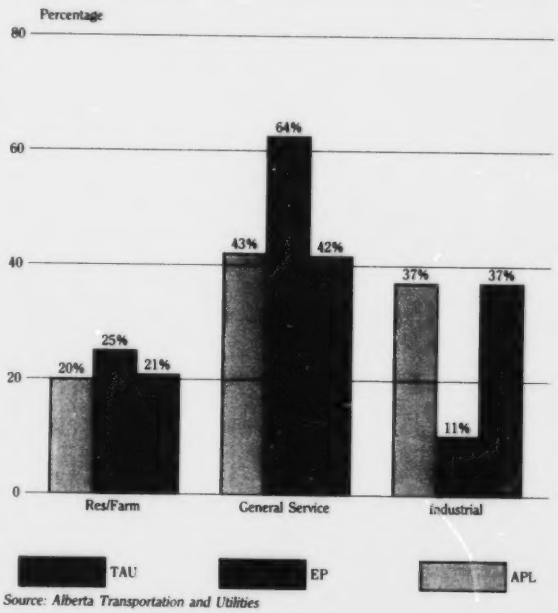
Pooling Process

Pooling (averaging or blending) of costs associated with generation and transmission of electricity (wholesale level) by the utilities accomplishes two major goals. The first being the levelization of electric energy generation and transmission costs province-wide. These costs make up 80 percent of what the retail customer pays for power. The second goal establishes the need for a great degree of cooperation and communication between utilities in order to make the single generation and transmission concept work, which in turn has led to the attainment of a relatively high degree of economic dispatch within these systems.

The determination of the blended cost of electric energy to the point where distribution by the utilities takes place, is the Agency's key administrative task. The first step involves applications to the Public Utilities Board (PUB) by the utilities to fix the price at which each utility will sell electricity to the Agency. Using the PUB decisions on these applications, the Agency blends or pools these numbers to arrive at the pooled cost out of the Alberta Electric Energy Marketing Agency. This is the cost which the three utilities have to pay to buy back their electricity. The pooling and re-sale figures take the three (3) consumer groups into consideration, namely; Residential, General Services and Industrial as defined in regulation. A comparison of consumer mix for each utility is shown in Figure 3.

As part of the pooling process the cities of Calgary, Lethbridge and Red Deer are reimbursed for the transmission lines which they own to the point where pooled power is purchased. Table 4 shows comparative dollar amounts paid to each city for the years 1987, 1988 and 1989. In 1988-89 pooling resulted in the Agency making payments to Alberta Power and the three cities, while TransAlta and Edmonton Power made payments to the Agency as shown in Table 5. The gross cost to the government for 1988-89 is shown in the last column of the same table.

FIGURE 3
Comparison of Utility Customer Mix



Source: Alberta Transportation and Utilities

TABLE 4

Pooling Compensation to Cities
Which Own In-Boundary Transmission Facilities
(in millions of dollars rounded to one decimal point)

	1987	1988	1989
Calgary	$ 28.3	$ 28.0	$ 27.1
Lethbridge	$ 1.3	$ 2.1	$ 2.4
Red Deer	$ 1.0	$ 1.1	$ 1.1

TABLE 5

For the Year Ended March 31, 1989

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities	Total
April 1988	$ 7 254 830	$ (4 246 503)	$ (3 638 914)	$ 2 601 942	$ 1 971 355
May 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
June 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
July 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
August 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
September 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
October 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
November 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
December 1988	7 254 831	(4 246 501)	(3 638 918)	2 601 942	1 971 354
January 1989	8 529 568	(3 009 570)	(5 851 171)	2 546 358	2 215 185
February 1989	8 529 568	(3 009 570)	(5 851 171)	2 546 358	2 215 185
March 1989	8 529 568	(3 009 570)	(5 851 171)	2 546 358	2 215 185
TOTAL	$ 90 882 175	$ (47 247 235)	$ (50 303 743)	$ 31 056 552	$ 24 387 749[1]

[1] *This total is a gross total and includes 1989 figures further to PUB Orders E89007, E89008, and E89009 dated February 24, 1989. The net total is $13 099 527 which includes adjustments made for April to December 1986 further to PUB Order E87100 dated December 18, 1987; variances made for April to December 1985 further to PUB Decision E87048 dated June 16, 1987, and adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

Shielding

Funds from the General Revenue of the Province are made available to shield the utilities which are low-cost producers of electric power in Alberta. The availability of the extra revenue allow the low-cost producer utilities to cushion its consumers from the slightly higher cost of electricity resulting from the cost pooling which takes place at the end of transmission (interface).

During this fiscal year shielding was at the 20 percent level. As shown on Table 6, the gross shielding payments for the period April 1, 1988 to March 31, 1989 totalled $24 387 749. However, the Agency has recovered $11 288 222 of this amount as a result of three PUB Orders adjusting previous Orders.

TABLE 6

Alberta Electric Energy Marketing Agency Shielding to Utility Companies
For the Year Ended March 31, 1989

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April 1988	$ 0	$ 1 061 626	$ 909 729	$ 1 971 355
May 1988	0	1 061 626	909 729	1 971 355
June 1988	0	1 061 626	909 729	1 971 355
July 1988	0	1 061 626	909 729	1 971 355
August 1988	0	1 061 626	909 729	1 971 355
September 1988	0	1 061 626	909 729	1 971 355
October 1988	0	1 061 626	909 729	1 971 355
November 1988	0	1 061 626	909 729	1 971 355
December 1988	0	1 061 626	909 729	1 971 355
January 1989	0	1 061 625	909 729	1 971 354
February 1989	0	752 392	1 462 793	2 215 185
March 1989	0	752 392	1 462 793	2 215 185
TOTAL	$ 0	752 392	1 462 793	2 215 185
		$ 11 811 809	$ 12 575 940	$ 24 387 749[1]

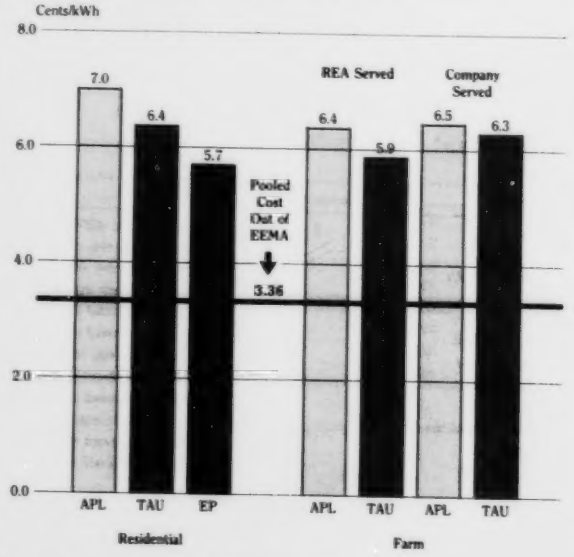
[1] *This total is a gross total and includes 1989 figures further to PUB Orders E89007, E89008, and E89009 dated February 24, 1989. The net total is $13 099 527 which includes adjustments made for April to December 1986 further to PUB Order E87100 dated December 18, 1987; variances made for April to December 1985 further to PUB Decision E87048 dated June 16, 1987, and adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

Summary

The Alberta Electric Energy Marketing Agency is to a large extent meeting its objective of reducing regional rate disparities. As illustrated in Figures 4 and 5 the rates for a kilowatt hour of electricity charged by the utilities in 1988 are within 1.5 cents or less of each other. The equalized (pooled) cost determined by the Agency is also shown. It is important to reiterate that the upstream costs (generation and transmission) which make up to 80 percent of the total operating costs for utilities are the only costs taken into consideration in arriving at the "pooled cost out of EEMA". The remaining 20 percent of the costs are related to distribution and to the revenue-to-cost rate design which each utility chooses to apply to specific customer groups. The inclusion of this aspect of utility operations in the pooling process would have a minimal effect on consumer rates.

FIGURE 4

Comparisons of Average Residential/Farm Consumer Bills per kWh Rates in effect March 31, 1989



Assumes Average Monthly Usage: residential - 600 kWh
farm - 1400 kWh; 7.5 kVA

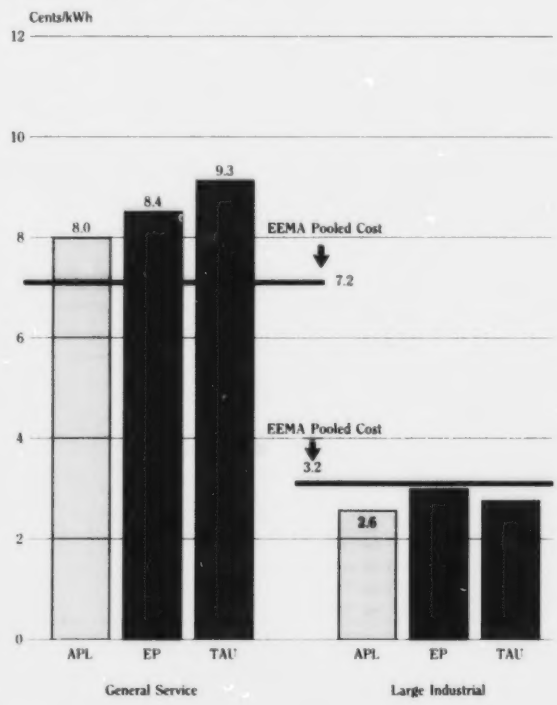
Note: Rates include temporary riders and income tax rebate.

Source: Alberta Transportation and Utilities

FIGURE 5

Comparisons of General Service and Large Industrial Consumer Rates

Based on Rates effective March 31, 1989



Based on Monthly Usage:
General Service 10 Kw Demand & 25% Load Factor
Large Industrial 5000 kW Demand & 80% Load Factor
Notes: a) Rates include temporary riders and income tax rebate
b) Average cost varies depending on demand and load.
c) The costs should not be considered as the average cost.

Source: Alberta Transportation and Utilities

The rate differences that remain are no greater than in Canadian provinces with a nationalized single generation and transmission utility. Table 7 provides a Canada-wide comparison of a 600 kWh utility bill in 1988. There is a limitation on the figures in Table 7 as the costs per kWh vary within and among provinces depending on many factors. Various population densities, different consumer rate designs in use, source of power to generate the electricity and many other factors, have not been measured in terms of degree of impact each or a combination of them would have had on cost determination. Therefore, the monthly charges average for each province cannot be used to accurately reflect the monthly cost for 600 kWh of electricity used by **any one consumer** anywhere in Canada. The figures provide the average of the range of costs in each province, and in a broad sense shows the differences in costs to the general consumer of 600 kWh of electricity per month among the provinces. The Yukon and Northwest Territories are not included as both in many ways are atypical of other Canadian provinces. It can be seen that Alberta was the fourth lowest in 1988, lower than Ontario, but with rates slightly above those paid by consumers in British Columbia, Quebec and Manitoba.

The shielding benefit program in effect since September 1982, and which is at the 20 percent level is scheduled to run to December 31, 1990. The amount spent from General Revenue for the period ending March 31, 1989 is shown in Table 8. From the onset, TransAlta Utilities customers have been shielded. As this utility supplies more than two-thirds of the province's electric energy requirements they are able to effect economies of scale which keep customer costs down. Their customers therefore received shielding benefit against the slightly high costs caused to them by cost-pooling at the end of the transmission line (interface).

TABLE 7

Canada-Wide Comparison of Residential Electric Bills
For 600 kWh as of September 1, 1988[1]

Province	Average (rounded)[2]	Comment
Alberta	$ 38	Investor-owned utilities serve the majority of Albertans with the cities of Edmonton and Medicine Hat residents served by utilities owned by the respective municipalities
British Columbia	37	Mix of ownership. B.C. Hydro is government-owned serving 90% of the population while Cominco Ltd. and its subsidiary West Kootenay Power and Light Co. who are investor-owned serve the remaining 10%
Manitoba	36	Government-owned (Crown corporation)
New Brunswick	42	Government-owned (Crown corporation)
Newfoundland	46	Mix of ownership. Newfoundland & Labrador Hydro is government-owned. Newfoundland Light and Power Co. is investor-owned
Nova Scotia	47	Government-owned (Crown corporation)
Ontario	41	Government-owned (Crown corporation)
Prince Edward Island	52	Investor-owned utility
Quebec	33	Government-owned (Crown corporation)
Saskatchewan	43	Government-owned (Crown corporation)

[1] *Multiple sources: Statistics Canada, Electric Bills, Catalogue 57203 Annual; Alberta Transportation and Utilities, Planning and Analysis Division, and PUB 1988 Annual Report.*

[2] *See text on this page for limitation on interpretation of these numbers.*

TABLE 8

Provincial Shielding Payments
1982 to March 31, 1989 by Calendar Year

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
1982 (Sept.-Dec.)	$ 0	$ 0	$ 34 611 109	$ 34 611 109
1983	0	0	64 744 512	64 744 512
1984	0	8 773 078	26 052 987	34 826 065
1985	0	4 910 304	26 813 794	31 724 098
1986	0	18 866 022	16 552 000	35 418 022
1987[1]	0	17 835 406	16 163 696	33 999 102
1988	0	12 739 511	10 916 748	23 656 259
1989 (Jan.-Mar.)	0	2 257 176	4 388 379	6 645 555
TOTAL	$ 0	$ 65 381 497	$ 200 243 225	$ 265 624 722[2]

[1] *Includes adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

[2] *This total includes 1989 figures further to PUB Orders E89007, E89008, and E89009 dated February 24, 1989. It does not include a one-time, offsetting amount of $864 000 to the cities of Lethbridge and Red Deer consequent to PUB Decision No. E86051 and as reported in previous reports.*

Through the application of the mechanism referred to as the pooling of upstream (generation and transmission) expenditure by utilities, a measure of equalization of electric energy costs between service areas of the province has been achieved. The reported upstream expenditures must stand the prudency test applied by the Public Utilities Board when a general rate application is being heard by the PUB. In addition, public input before the PUB is provided and encouraged through the intervention process, as it does provide for the kinds of checks and balances which are often lacking in a provincialized electric utility system. The mechanism of pooling, as opposed to provincialization, preserves the integrity of Alberta's system of investor and municipally owned generating utilities.

As can be seen from Tables 9 and 10, pooling resulted in the transfer of payments between utility companies, and for compensation to cities who own transmission facilities. The pooling benefits for the period 1982 to 1989 accrued to Alberta Power Ltd. each year, whereas Edmonton Power and the cities benefited in certain years only. TransAlta Utilities Corporation was a contributing utility throughout.

TABLE 9

Transfer Payments To/From Utility Companies Including Reimbursement to the Cities
1982 to March 31, 1989 by Calendar Year (Net)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities[1]
1982 (Sept.-Dec.)	$ 20 046 742	$ 14 564 367	$ 0	$ 0
1983	56 562 811	12 399 191	(4 217 490)	0
1984	46 729 584	(2 753 154)	(9 150 365)	0
1985	26 562 308	(3 273 540)	(17 875 870)	26 311 200
1986[2]	37 818 690	(16 507 763)	(14 483 001)	29 454 096
1987[3]	71 859 265	(35 525 021)	(32 986 [illegible]98)	30 651 456
1988	87 057 961	(50 958 034)	(43 666 972)	31 223 304
1989 (Jan-Mar)[4]	25 588 704	(9 028 710)	(17 553 513)	7 639 074
TOTAL Benefit/(Cost) Sept. 1982-Mar. 1989	$ 372 226 065	$ (91 082 664)	$ (139 933 809)	$ 125 279 130

[1] *Consistent with General Regulation effective January 1, 1985.*

[2] *Includes a one-time offsetting amount of $864 000 consequent to PUB Decision No. E86051.*

[3] *Includes adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

[4] *PUB Orders E89007, E89008, and E89009 dated February 24, 1989 used.*

TABLE 10

Summary of Pooling Benefits
1982 to March 31, 1989 by Calendar Year

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities	Total
1982 (Sept.-Dec.)	$ 20 046 742	$ 14 564 367	$ 0	$ 0	$ 34 611 109
1983	56 562 811	12 399 191	0	0	68 962 002
1984	46 729 584	45 348	0	0	46 774 932
1985	26 562 308	0	0	26 311 200	52 873 508
1986	37 818 690	0	0	28 590 096	66 408 786
1987[1]	71 859 265	0	0	30 651 456	102 510 721
1988	87 057 961	0	0	31 223 304	118 281 265
1989 (Jan.-Mar.)[2]	25 588 704	0	0	7 639 074	33 227 778
TOTAL	$ 372 226 065	$ 27 008 906	$ 0	$ 124 415 130	$ 523 650 101

[1] *The 1987 pooling benefits to Alberta Power Ltd. include adjustments made for January to March 1987 further to PUB Decision E88080 dated December 23, 1988.*

[2] *PUB Orders E89007, E89008, and E89009 dated February 24, 1989 used.*

Financial Statements

ALBERTA LEGISLATURE
OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Minister of Transportation and Utilities

I have examined the balance sheet of the Alberta Electric Energy Marketing Agency as at March 31, 1989 and the statements of revenue and expenditure and capital surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
April 26, 1989

BALANCE SHEET

As At March 31, 1989

	1989	1988
ASSETS		
Current:		
Cash	$ 836 653	$ 106 789
Accounts receivable (Note 5)	6 718 440	—
Prepaid expenses	595	—
	7 555 688	106 789
Fixed:		
Equipment, at cost	31 923	29 552
	$ 7 587 611	$ 136 341
LIABILITIES AND SURPLUS		
Current:		
Accounts payable (Note 5)	$ 7 480 242	$ 1 000
Due to the Province of Alberta	75 446	105 789
	7 555 688	106 789
Capital Surplus	31 923	29 552
	$ 7 587 611	$ 136 341

The accompanying notes are part of these financial statements.

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 1989

	1989	1988
REVENUE		
Sales of electric energy	$ 875 781 143	$ 975 447 885
EXPENDITURE		
Purchases of electric energy	875 781 143	975 447 885
Shielding grants	13 099 527	15 248 163
Operating expenses, Schedule 1	320 343	305 590
	889 201 013	991 001 638
Excess of expenditure over revenue	13 419 870	15 553 753
Contribution by the Province of Alberta	13 419 870	15 553 753
	$ —	$ —

STATEMENT OF CAPITAL SURPLUS

For the Year Ended March 31, 1989

	1989	1988
Balance at beginning of year	$ 29 552	$ 33 397
Add: Purchases of equipment	2 371	—
	31 923	33 397
Less: Equipment written off	—	3 845
Balance at end of year	$ 31 923	$ 29 552

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

Note 1 Authority

The Alberta Electric Energy Marketing Agency operates under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta 1981, as amended. Shielding grants are paid pursuant to the Department of Transportation and Utilities Act, Chapter D-30, Revised Statutes of Alberta 1980, as amended.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General:

These financial statements have been prepared in accordance with generally accepted accounting principles except that purchases of fixed assets are charged to operations in the year of acquisition. Notwithstanding this policy, however, the balance sheet also shows, for information purposes, the cumulative amount of such expenditures in respect of all fixed assets presently owned with a corresponding credit shown as capital surplus.

(b) Changes in Financial Position:

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Administration Costs

Office accommodation and certain other overhead costs incurred in the administration of the Agency have been borne by the General Revenue Fund and are not reflected in these financial statements.

Note 4 Approval by the Public Utilities Board

The price at which electric energy is sold to the Alberta Electric Energy Marketing Agency is subject to Public Utilities Board approval. Any subsequent price adjustments by the Board, received by the Agency on or before December 31 in respect of a prior year, are reflected in the following calendar year.

Note 5 Accounts Receivable/Payable

The price at which electric energy is sold by the Agency for the calendar year 1989 was set on April 3, 1989 in accordance with Alberta Regulation 49/89.

As a result, the adjustments to Utility Companies' transfer payments for January to March 1989 were processed after March 31, 1989 and are included in accounts receivable and accounts payable.

Note 6 Approval of Financial Statements

These financial statements were approved by management.

SCHEDULE 1

SCHEDULE OF OPERATING EXPENSES

For the Year Ended March 31, 1989

	1989	1988
Salaries and wages	$ 246 094	$ 229 250
Employee benefits	31 180	26 412
Legal, consulting and business services	17 579	18 446
Travel and hospitality	10 818	18 647
Repairs and maintenance	3 804	3 931
Printing, stationery and supplies	3 403	1 763
Equipment rental	3 362	4 506
Purchases of equipment	2 371	—
Books and periodicals	1 054	1 201
Freight, postage and telephone	678	1 434
	$ 320 343	$ 305 590